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Hoover Report Augurs Real State Department Reform

WASHINGTON—The United States cannot exercise the strongest possible influence abroad unless the State Department operates efficiently enough to command respect at home. Yet, despite serious attempts during the past twelve years to reorganize and improve the department by Secretaries of State Hull, Stettinius, Byrnes and Marshall, the Commission on Organization of the Executive Branch of the Federal Government found during its investigations last year that "Congress, the press, the general public and indeed . . . many of its own personnel" hold the department "in low esteem." The recommendation by the commission on February 22 of a series of fundamental corrective changes in both the structure and the governmental role of the department may bring the concrete results which escaped the previous reform efforts.

Chance for Change

In the first place, the commission, of which Herbert Hoover is chairman and Secretary of State Dean Acheson, vice-chairman, has an authority that earlier reorganizers, always working within the department, lacked. It was appointed jointly by Congress and the President in accordance with a Congressional resolution passed in 1947 "for the purpose of promoting economy, efficiency and improved service in the transaction of the public business." In the second place, the commission faced a basic problem which other reorganizers have ignored but which the commission finds a "source of serious friction and increasing inefficiency." This is the division of the department between

two separate personnel groups, the employees in the civil service, most of them working in the United States, and those in the foreign service, exempt from civil service control, whose members work both abroad and in Washington. The commission advocates the amalgamation of the services into a single "foreign affairs service," administered independently of the general service.

One reason for the present separation of the Foreign Service from domestic service is to provide the United States with a professional class of career diplomats. In practice the separation has restricted the use which Secretaries of State have made of competent men and women who are not in the service, and it has not guaranteed the assignment of trained professionals only, to the top diplomatic jobs, since Presidents still exercise their privilege of appointing as ambassadors anybody they please.

Responsible primarily to its Director General, the "Foreign Service is . . . largely self-administered and is to some degree even independent of the Secretary," the commission reports. Yet Foreign Service officers hold key posts in the department, and the Secretary remains responsible for the department as a whole. Since Britain gave up the separation in its Foreign Office and diplomatic service five years ago, the United States remains alone among the great powers in keeping the services distinct. This country underlined the policy of separation in 1946, when, against the advice of James Webb, then Director of the Budget and now Under Secretary of State, President Truman

signed the Kee Act, which reorganized and strengthened the Foreign Service. The commission calls the amalgamation of the two services "fundamental" to realization of its recommended internal reorganization of the department.

Briefly, the commission's program calls for the establishment of a direct chain of responsibility from the office of the Secretary of State to the lowest ranks, so that the Secretary at last can become "legally and practically . . . in command of the department." The commission would organize the work in the department through the Secretary and Under Secretary, two Deputy Under Secretaries (one for substantive matters, one a "general manager"), and eight Assistant Secretaries—for European Affairs, Near Eastern and African Affairs, Far Eastern Affairs, American Republic Affairs, International Organization Affairs, Congressional Affairs, Public Affairs, and Economic and Social Affairs.

The present department has no deputy Under Secretaries. It has Congressional authority to employ six Assistant Secretaries, one of whom, Dean Rusk, has the responsibility in international political relations. The commission would divide this responsibility among the four regional Assistant Secretaries and the one for international organization. Secretary Acheson has appointed Ernest Gross to be Assistant Secretary for Congressional Affairs after a vacancy in the office since August 1945, when Mr. Acheson himself resigned from it. The department now has an Assistant Secretary for Public Affairs, but the commission would make

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him responsible for dealing with the press, now the province of the Special Assistant, Press Relations (the commission would abolish the latter office). The present Assistant Secretary for Economic Affairs could readily become Assistant Secretary for Economic and Social Affairs. The revised department would have no Assistant Secretaries for Administration or Occupied Areas, and no counselor, a post which now ranks immediately below the Secretary.

Role of the Department

According to the commission, this reorganized department should plan, not act. Its recommended role is to concentrate on forming policy rather than executing foreign programs. Without success, Secre-

taries since Mr. Hull have tried to draw the distinction between cogitation and operation. They found, during the war, that the Board of Economic Warfare and its successor, the Foreign Economic Administration, and, since the war, the military officials and officers directly responsible for the occupation of Japan and Germany make policy themselves as they ostensibly carry out the policy recommendations of the State Department. These experiences demonstrate that diffusion of responsibility for operations under present circumstances tends to provide the country with several only vaguely related and sometimes contradictory foreign policies.

The commission recommends that the Administration leave responsibility for ad-

ministration of occupied areas to the military, but it proposes that the Secretary of State have authority to send instructions directly to persons in charge of administrative machinery for any occupied area. Secretary Acheson now communicates with General MacArthur in Tokyo through the Army Department. The coordination through the State Department of the foreign affairs interests of the many Federal agencies might succeed if machinery is created in the White House to oversee the activities of all agencies. In its report on General Management of the Executive Branch, the commission recommended the appointment of a staff secretary to the President to undertake this task.

BLAIR BOLLES

Peron Shifts Policy To Surmount Economic Impasse

There is no doubt that the Argentine administration, which celebrated the third anniversary of Perón's election to the Presidency last month amid wild rumors of the government's impending fall, has embarked on a new economic policy. Greater attention will henceforth be directed to conciliating agrarian interests at home and Argentina's traditional customers abroad. Industrial development is likely to be more modest in scope, and it will proceed at a more moderate pace than envisioned when the Five-Year plan—now known as the Government plan—was adopted in 1947. But the new policy, features of which are emerging more clearly every day, will by no means constitute a reversal of the revolution on which the Perón regime embarked in its heyday.

Second Thoughts

Faced at the turn of 1948-49 with mounting surpluses, growing sales resistance from its European and South American markets, and unfilled import needs, the Perón regime could not avoid the long-foreseen reckoning. Argentina's ready gold and other reserves were down from the postwar peak of almost \$1,700 million to an estimated \$485 million at the beginning of the year, most of which is tied up in blocked sterling accounts in London that represent gold backing for its weakened currency. A recent report places Argentina's hard currency resources at approximately \$35 million today, and Buenos Aires has incurred debts to New York banks on unpaid letters of credit in amounts estimated

conservatively at around \$275 million.

Meanwhile, Argentine producers watched anxiously as the year's harvest—the golden store that represents Argentina's means of payment for its industrial revolution—piled up in grain elevators and storage bins, until the National Economic Council declared that not one more bag could be accommodated. The government's policy of buying and selling through the Argentine Trade Promotion Institute (IAPI) had priced Argentine grains out of the international market, now assured of supplies from bountiful Canadian and United States harvests. Accumulating surpluses, as well, of linseed oil, hides and wool spelled a plain warning that IAPI's once-successful attempts to corner the market in commodities in which Argentina had held the "balance of power" were now bringing the country to the verge of international bankruptcy.

IAPI's price and marketing policies were merely one aspect of a program designed to give Argentina the position of a "new power in the world of the 'great nations.'" Perón was politically committed to give Argentines a standard of living by 1960 equivalent to that the United States now enjoys. These objectives had dictated the decision in 1946 to use Argentine food sales abroad to build what was conceived of as a sound economy. The regime therefore assumed general, and in some cases, exclusive powers for the purchase and marketing of key commodities. It set out to charge what a hungry market would bear, pocketing the difference between what was paid the producer and what it received from the

purchaser, on the ground that these funds not only supplied capital for the Five-Year plan but enabled the government to supply cheap food to the farming classes. The nationalist program, therefore, would not easily be abandoned as long as the glimmer of a hope remained that substantial United States financing under the ERP could be secured for Argentina's sales to Europe, or that the European customers themselves could be induced to make payment in dollars.

As this hope reached the vanishing point during the fall of 1948, a heated battle began behind the scenes in Buenos Aires. Señor Miguel Miranda, head of the powerful National Economic Council and principal architect of state trading policies, was in favor of holding out for higher prices, closing barter deals with European countries to give Argentina the coal, oil and machinery it needed in return for meat and such other products as continued in short supply, and "side-stepping the dollar area in every possible way." On the other side, a more moderate group, led by Foreign Minister Juan Bramuglia and Orlando Maroglio, president of the Central Bank, fought for a reorientation of policy, arguing that more income could be earned by selling a larger volume of produce at fair prices with reasonable profits than by marketing a reduced production at exorbitant rates. This group believed that the dollar problem could be at least partially met by increasing Argentina's volume of sales, notably of canned beef, to the United States. In this project they had strong encouragement from the American Em-

bassy in Buenos Aires, and exporting and shipping interests in the United States.

Review of Economy

Aware at length that no United States financing, either in the shape of ERP procurement or outright loans or credits, could be expected as long as dubious Argentine economic policies continued, Perón moved on January 19 to dismiss Miranda from an official position in the government and to reorganize the National Economic Council. At the same time, however, Maroglio was removed, and report has it that Foreign Minister Bramuglia was only retained because of his popularity with the United States Embassy. Following this Solomon's decision, the government undertook a study of the entire economic and financial situation of the country. On February 1 the Na-

tional Economic Council halted issuance of all import permits and transfers of funds to other countries, bringing imports with both hard and soft currency areas to a virtual stop until inventory could be taken of Argentina's foreign credit status.

The immediate fruit of this far-reaching activity was the announcement on February 24, by Roberto Ares, new Secretary of Economy, that henceforth the functions of the controversial government agency, IAPI, would be limited to controlling exports of key agricultural commodities and imports of products which are difficult to obtain through ordinary commercial channels, the latter being taken to mean rubber products, tin plate, petroleum and coal. Marketing of other commodities may be returned to private enterprise. The National Economic Council has under consideration a decision to

renounce IAPI's 20 per cent commission on export sales of meat, and a new orientation was also forecast in Buenos Aires' reported willingness to meet world prices on certain quantities of linseed oil stocks, and on all sales of quebracho, an important tanning agent. The new economic policy will meet its first major test in the current Anglo-Argentine negotiations for the 1949 food contract, under the "Andes Agreement" of last year. While these negotiations, which began in Buenos Aires on February 22, promise to be much easier for the British than in previous years, there is no assurance that the Argentine government—caught in an inflationary spiral partially of its own making—will agree to a wholesale lowering of prices on its raw materials exports.

OLIVE HOLMES

Formosa Acquires Strategic Value In China Crisis

The collapse of the Chiang Kai-shek regime in China is directing attention to the strategic island of Formosa, or Taiwan, lying one hundred miles off the coast of South China on the sea lanes between Southeast Asia and Japan. General Chen Cheng, former Chief of Staff for Chiang Kai-shek, has recently been appointed Governor of Formosa to take the place of Dr. Wei Tao-ming, once Chinese Ambassador to the United States. At the same time the Generalissimo's son, Major General Chiang Ching-kuo, has assumed the leadership of the Kuomintang party on the island. Some air and naval units loyal to Chiang Kai-shek have recently been transferred to Formosa, and a significant number of civilian and military officials are fleeing to the island from Nanking. These developments suggest the possibility that the Generalissimo may move to Formosa and attempt to use it in the future as a comeback base.

Value of Formosa

Formosa has long been an object of attention in the power politics of the Far East. Dutch, Spanish, Chinese, and Japanese have fought for the mastery of the island. In the last century the British discussed the possibility of seizing it, and both Townsend Harris and Commodore Matthew Perry urged the acquisition of Keelung in Northern Formosa as an American coaling station. After 1683 China considered Formosa a part of the Middle Kingdom although the island did

not become a separate province until 1887. Japan acquired Formosa in 1895 under the terms of the Treaty of Shimonoseki which ended the Sino-Japanese war. After the surrender of Japan in 1945 the government of Chiang Kai-shek assumed *de facto* administration of the island in accord with the Cairo and Potsdam declarations. Under these circumstances a Communist government in China, recognized by the signatories of the Cairo and Potsdam declarations as a successor to the Nationalist government, would be entitled to govern Formosa as a *de facto* part of the national territory pending the conclusion of a peace treaty with Japan.

The use of Formosa as a genuine comeback base for Chiang Kai-shek is very doubtful. The island, however, might serve as a temporary capital for a refugee government established in the hope that world developments would once again work in favor of the Generalissimo.

Formosa has an area of 13,807 square miles, two-thirds of which is very mountainous. The island is self-sufficient in the production of food, a definite asset to the Chiang Kai-shek regime. Before the war the export of rice from Formosa to Japan almost equaled China's imports of that commodity. In mineral resources Formosa has estimated coal reserves of 400 million metric tons, although only 10 million metric tons are probably suitable for coking. Possibilities for the development of hydroelectric power are excellent, and an American loan of \$22.8 million in 1931

aided the construction of the extensive hydroelectric development at Jitsugetsutan. The establishment of heavy industry in Formosa is doubtful but the possibilities for modest industrialization under favorable circumstances are very good.

Attitude of Population

The successful use of Formosa as a base for the Kuomintang would depend to a large extent on the attitude of the people. Excluding the estimated 160,000 aborigines, the population of the island in 1943 was 6.5 million of whom 93 per cent were Formosan Chinese, 6 per cent Japanese, and 1 per cent Chinese. Practically all the Japanese have now been repatriated, but the number of mainland Chinese has increased, especially since the defeat of the Nationalists in the battle of Suchow.

In 1945 the Taiwanese welcomed the end of fifty years of Japanese rule and hailed the establishment of Chinese government rule under General Chen Yi, former Governor of Fukien. Within sixteen months, however, the policies of the new regime led to an armed revolt against the Kuomintang administration. The revolt was not an attempt to secure independence for the island, much less an effort to seek the return of the Japanese. The Formosan-Chinese were demanding honest government under the Chinese flag. Although General Chen Yi placed the responsibility for the uprising largely on the Communists, his policy of considering the Formosans as subjects in a con-

quered province precipitated the outbreak. Kuomintang troops were rushed from the mainland of China and the revolt was ruthlessly suppressed. In May 1947, General Chen Yi was replaced by a civilian governor, Dr. Wei Tao-ming, and a Taiwan Provincial government was organized. Dr. Wei made an honest effort to placate the Formosans, although the memories of Chen Yi were hard to erase.

Meanwhile, a number of Formosan leaders have continued to operate in Hong Kong, urging the end of Kuomintang rule in Formosa. The establishment of a refugee Kuomintang government in Formosa would probably not be received with enthusiasm by the people. On the other hand, the Formosan Chinese have indicated little real interest in communism. It is obvious, however, that a corrupt government on the island would play into the hands of the Chinese Communists.

Suggestions of a possible trusteeship for Formosa have in the past been vehemently opposed by the Nanking government. It is quite likely that the Chinese Communists would have a similar attitude on the subject. Possibly the Formosan Chinese, if a free and honest plebiscite were held, would favor some kind of a temporary trusteeship.

The only prospect for a successful defense of Formosa by a refugee Chiang Kai-shek government would lie in integration of the island for the American defense system in the Western Pacific. South of Formosa the United States has bases on a ninety-nine-year lease in the Philippines; north of Formosa the United States occupies Okinawa in the Ryukyus and Japan. The Philippines, Formosa, the Ryukyus, and Japan form an island chain that guards the sea and air approaches to the mainland of Eastern Asia. Communist bases in Formosa—an important link in this chain—might not be to the national interest of the United States. All the powers interested in the Far East are certain to watch events in Formosa with great interest during these crucial days.

RUSSELL H. FIFIELD

(Russell H. Fifield is Assistant Professor of Political Science at the University of Michigan. He served as American Vice-Consul in Formosa during 1947.)

News in the Making

Recent statements by the *Communist leaders of France and Italy*, Maurice Thorez and Palmiro Togliatti respectively, to the effect that if Russian armies should enter their countries in pursuit of an "aggressor," the people would give friendly aid, have been interpreted as part of a Soviet offensive against the proposed Atlantic pact. Governmental reactions in both countries have been strong, characterized by an attempt to find adequate legal grounds for prosecution of the Red spokesmen. In France four Communists were indicted, charged with holding or divulging defense secrets. . . . Increasingly intense *political campaigning in Britain* can be expected as the Labor party prepares its platform, to be presented at a party conference in June, for the next general election expected in 1950. A Labor candidate won the closely watched by-election in the London constituency of South Hammersmith February 24, defeating a Conservative by 1,600 votes and extending the Attlee government's string of by-election victories. Although the Labor majority achieved in the district in 1945 was halved, the results disappointed Conservatives who had hoped to show clear indications of voting strength. . . . *Mexican synarchism will go underground* as a result of a government decision to outlaw the militant, pro-Catholic movement. The Interior Ministry's decree, announced January 29, contended that the party is dominated by the Catholic Church and closely connected with the Spanish falange. This action followed violent synarchist attacks last December against the memory of Mexico's national hero, Benito Juárez, who tried to curb the powers of the Church and distribute land among the Indians. The National Synarchist Union, which takes a "third position" between communism and capitalism, is believed to have half a million followers, but in local elections has failed to make headway against the government machine.

Branch & Affiliate Meetings

BUFFALO, March 7, *How Does American Policy Affect Democracy in Germany and Japan*, Roger Baldwin

PHILADELPHIA, March 10, *The Ruhr*

*WORCESTER, March 10, *Germany Today and Tomorrow*, Carl J. Friedrich, Herbert Gezork

UTICA, March 14, *Colonial Africa Looks at World Politics*, Albert H. Garretson

NEW YORK, March 19, *North Atlantic Pact—Will it Make for Peace or War?*, Juliusz Katz-Suchy, George Fielding Eliot

*Data taken from printed announcement

Germany Today

For a lucid discussion of the German problem, the policies of the four occupying powers, currency reform, the need to rebuild and the need to prevent future aggression, READ

GERMANY TODAY: SECURITY VERSUS RECOVERY

by Jane Perry Clark Carey

March 1, issue

Foreign Policy Reports—25 cents

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Mrs. Dean's Trip to Europe

Mrs. Dean left on February 26 for Paris, where she has been invited to give a course on "American Foreign Policy, with special reference to the Marshall Plan" at the Institut d'Etudes Politiques (former Ecole des Sciences Politiques) connected with the University of Paris. The course is to consist of fifteen lectures, to be delivered in French. Mrs. Dean has also been asked to give a lecture at the Centre d'Etudes Politiques in Paris on American policy in Asia. Upon completion of this course Mrs. Dean will visit Western Germany; on April 12 she will give a lecture at the Royal Institute of International Affairs in London on "European Reactions to the Marshall Plan." She plans to be back in New York by Easter.

During Mrs. Dean's absence, William W. Wade, editor of the *Headline Series*, who has been appointed associate editor of the *Foreign Policy Reports* and the *Foreign Policy Bulletin*, will be in charge of the two latter publications.

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